

Message Text

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44

ACTION ARA-20

INFO OCT-01 ISO-00 TRSE-00 EB-11 SS-20 SP-03 MMS-04 PM-07

L-03 PC-10 CU-05 INR-10 CIAE-00 DODE-00 ACDA-19 AGR-20

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 4449

C O N F I D E N T I A L BRASILIA 5177

E.O.11652: GDS

TAGS: ETRD, PFOR, BR, US

SUBJECT: CASP REVISION - ISSUE NO. 2

REF: STATE 150054

FOLLOWING ARE MODIFICATIONS TO REDRAFT OF CASP ISSUE STATEMENT ON
MITIGATING CONFLICTS CONCERNING ACCESS OF BRAZILIAN EXPORTS TO US
MARKET:

PARA 4 REFTEL, CHANGE SECOND SENTENCE TO READ: "THE GOB WILL RESIST
CHANGING ANY INCENTIVE MEASURE IT BELIEVES TO BE IN ACCORD WITH THE
GATT, OR THAT HAS NOT BEEN TESTED IN THE GATT, SOLELY TO CONFORM
TO US LAW, ALTHOUGH SUCH CHANGES MIGHT BE ACCOMPLISHED, WITHOUT
ACKNOWLEDGMENT OF ANY RELATIONSHIP TO US LAW, IN THE PROCESS OF
MAKING THE INCENTIVE SYSTEM MORE 'GATT-ALBE'".

PARA 6 REFTEL, SUBSTITUTE FOLLOWING : "THE UNITED STATES WILL BE
IMPORTING MANUFACTURES FROM BRAZIL ON AN INCREASING SCALE, AND
CHANGES OF 'DUMPING' AND 'SUBSIDIZATION' ARE LIKELY TO BE MADE BY
OTHER US FIRMS AGAINST OTHER ITEMS." PRESUMPTION THAT IN FUTURE
SENSITIVE IMPORTS FROM BRAZIL WIL BE LOW TECHNOLOGY, LABOR
INTENSIVE GOODS COMPETING WITH WEAKER US INDUSTRIES IS A
DOUBTFUL ONE NOT BORNE OUT BY RECENT ANTIDUMPING COMPLAINTS.

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BETWEEN PARA 6 AND 7 REFTTEL, INSERT FOLLOWING ADDITIONAL IMPORTANT ASSUMPTION AS NEW PARA: "PASSAGE OF THE TRA, CONTAINING A GENERALIZED LDC PREFERENCE SCHEME THAT WOULD INCLUDE BRAZIL AND THE PROPOSED AMENDMENTS TO COUNTERVAILING DUTY LEGISLATION, SHOULD BE AN IMPORTANT STEP TOWARD AVOIDING CONFLICT.

PARA 8 REFTTEL, REVISE LAST CLAUSE OF SCENARIO (D) AS FOLLOWS:
"...ALTHOUGH THE GOB WOULD CONTINUE TO OBJECT TO THE IMPOSITION OF ANY DUTY, BECAUSE IT WOULD INTERPRET SUCH ACTION AS ESTABLISHING A PRECEDENT THAT COULD BE USED AGAINST A WHOLE RANGE OF PRODUCTS."

FOLLOWING PARA 9 REFTTEL, INSERT FOLLOWING ADDITIONAL ASSUMPTION:
"IN THE EVENT COUNTERVAILING DUTIES ARE APPLIED AGAINST BRAZIL, IT IS LIKELY THAT THE GOB WILL FEEL OBLIGED TO TAKE SOMEKIND OF DIRECT OR INDIRECT RETALIATORY MEASURES AGAINST US ECONOMIC INTERESTS."

PARA 10 REFTTEL, AMEND APPROACH (A) TO READ, " THE GOB SHOULD BE ENCOURAGED TO RE-EXAMINE ITS EXPORT INCENTIVE SCHEME WITH A VIEW TO MAKING IT COMPATIBLE WITH US LAW AND INTERNATIONAL AGREEMENTS. THIS APPROACH SHOULD BE PURSUED VIGOROUSLY IF SCENARIO (A) ABOVE IS A REALISTIC POSSIBILITY." AMEND APPROACH (C) TO READ, "IN INTERNATIONAL FORUMS, THE US SHOULD PUSH TOWARD OBTAINING INTERNATIONAL GUIDELINES ON EXPORT SUBSIDIES AND MARKET SAFEGUARDS. THIS WOULD THEN OFFER A RATIONALE FOR SEEKING A PERMANENT CHANGE IN US COUNTERVAIL LAW. UNTIL AGREED INTERNATIONAL RULES IN THESE AREAS ARE WORKED OUT, THE US SHOULD APPLY EXISTING LEGISLATION WITH AS MUCH DISCRETION AND FLEXIBILITY AS POSSIBLE."

PARA 11 REFTTEL, ADD FOLLOWING SENTENCE TO END OF PARAGRAPH: " SHOULD A TREASURY DECISION RESULT IN THE IMPOSITION OF A COUNTERVAILING DUTY ON BRAZILIAN FOOTWEAR, WE WOULD DEPEND ON EARLY APPROVAL OF THE TRA AND MODIFICATION OF EXISTING COUNTERVAIL LEGISLATION TO MITIGATE CONFLICTS OVER MARKET ACCESS. THE OUTCOME OF THE IMMEDIATE ISSUE CONCERNING SHOES AND OF THE CONTINUING MARKET ACCESS QUESTION WILL, OF COURSE, HAVE AN IMPORTANT HEARING ON THE COOPERATION THE UNITED STATES IS SEEKING FROM BRAZIL IN THE MULTILATERAL TRADE NEGOTIATIONS."
CRIMMINS

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